

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AID-05 EB-07 CIEP-02 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01

TAR-01 AGR-10 SWF-01 IO-10 /124 W

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R 032138Z DEC 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2999

INFO AMEMBASSY ASUNCION

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN, EGEN, LAFTA, XR

SUBJECT: ANDEAN PACT: NEGOTIATIONS ON REORGANIZATION OF LAFTA

1. THE THIRD ROUND OF MULTILATERAL NEGOTIATIONS AMONG THE LAFTA COUNTRIES IS SCHEDULED FOR DECEMBER 2 THROUGH 7 IN MONTEVIDEO. THE ANDEAN GROUP, WHICH INCLUDES SIX OF THE ELEVEN MEMBER COUNTRIES OF LAFTA, HAS AN IMPORTANT ROLE IN THESE NEGOTIATIONS. SUMMARIZED BELOW ARE THE PRINCIPAL ISSUES AS SEEN FROM THE PERSPECTIVE OF LIMA.

2. INSTITUTIONAL ASPECTS: AT THE SECOND ROUND OF MULTILATERAL
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NEGOTIATIONS WHICH TOOK PLACE IN QUITO, ALL LAFTA COUNTRIES

EXCEPT BRAZIL EXPRESSED THEMSELVES IN FAVOR OF RESTRUCTURING LAFTA AS FOLLOWS: (1) DESIGNATION OF THE "COUNCIL OF MINISTERS" AS THE SUPREME INTEGRATION ORGANIZATION; (2) ABOLITION OF THE ANNUAL CONFERENCE AND THE PERMANENT EXECUTIVE COMMITTEE, SUBSTITUTING FOR THEM AN ENTITY COMPOSED OF PLENIPOTENTIARY REPRESENTATIVES WHO WOULD MEET REGULARLY TO ESTABLISH POLICY; (3) CREATION OF A PERMANENT TECHNICAL AND ADMINISTRATIVE SECRETARIAT (SIMILAR TO THE JUNTA OF THE ANDEAN PACT); AND (4) INSTITUTION OF A NEW VOTING SYSTEM WITH RESTRICTIONS ON VETO POWERS.

3. TRADE LIBERALIZATION: THIS IS THE MOST COMPLICATED ISSUE IN THE RESTRUCTURING OF LAFTA. GIVEN THE WIDELY DIVERGENT POINTS OF VIEW AMONG THE ELEVEN COUNTRIES, IT IS DIFFICULT TO SEE HOW A MUTUALLY ACCEPTABLE COMPROMISE CAN BE ACHIEVED. AMONG THE MANY DIFFERENT ELEMENTS WHICH MUST SOMEHOW BE COORDINATED ARE: (1) EXISTING NATIONAL AND PREFERENCE LISTS; (2) THE COMMON LIST; (3) THE VARIOUS TRADE LIBERALIZATION AND EXTERNAL TARIFF PROVISIONS OF THE ANDEAN PACT; (4) REGULATIONS REGARDING TRADE IN AGRICULTURAL PRODUCTS; (5) ESCAPE CLAUSE PROVISIONS; AND (6) TARIFF PREFERENCES DEMANDED BY COUNTRIES WITH MARKETS TOO SMALL TO SUPPORT A DIVERSIFIED INDUSTRIAL BASE (CHILE, COLOMBIA, PERU, URUGUAY, AND VENEZUELA) AND BY COUNTRIES RELATIVELY LESS DEVELOPED (BOLIVIA, ECUADOR, AND PARAGUAY).

4. ECONOMIC COOPERATION AMONG PAIRS OR GROUPS OF COUNTRIES: AS A WAY OF CUTTING THROUGH THE MAZE OF VARYING AND OFTEN CONFLICTING CONSIDERATIONS NOTED IN PARAGRAPH 3 ABOVE, ARGENTINA PRESENTED A DRAFT RESOLUTION WHICH WOULD PERMIT PAIRS OF GROUPS OF COUNTRIES TO NEGOTIATE TEMPORARY MEASURES TO ACCELERATE THE FLOW OF TRADE. SUCH AGREEMENTS WOULD BE ENTERED INTO BY MEANS OF PROTOCOLS AMONG PLENIPOTENTIARY REPRESENTATIVES OF LAFTA MEMBER COUNTRIES. THE ANDEAN PACT COUNTRIES COULD PARTICIPATE JOINTLY OR SEPARATELY. AT THE QUITO MEETING, ANDEAN PACT COUNTRIES WERE CRITICAL OF THE ARGENTINE PROPOSAL. NOW, HOWEVER, THEY HAVE DECIDED TO SUPPORT THIS SUGGESTION. BRAZIL, ON THE OTHER HAND, HAS ARGUED THAT ITS OWN PROPOSAL FOR "MULTISECTORAL COMPLEMENTATION" IS BROAD ENOUGH TO ACCOMMODATE THE OBJECTIVES OF THE ARGENTINE PROPOSAL.

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5. COMPLEMENTATION AGREEMENTS: THE ANDEAN GROUP AND BRAZIL PRESENTED SEPARATE DRAFT PROPOSALS ON THIS ISSUE AT THE AD HOC WORKING GROUP MEETING IN MONTEVIDEO. THE ANDEAN PROPOSAL HAS MANY OF THE FEATURES OF ANDEAN SECTORAL PROGRAMS OF INDUSTRIAL DEVELOPMENT. BRAZIL AND MEXICO, AND TO A LESSER EXTENT ARGENTINA, OBJECTED TO SOME OF THE COMPULSORY AND OBLIGATORY CLAUSES IN THIS PROPOSAL. BRAZIL'S PROPOSAL, ON

THE OTHER HAND, WAS CRITICIZED AS BEING TOO MUCH LIKE THE
EXISTING RULES ON COMPLEMENTATION AGREEMENTS.

6. COMMENT: THE RENEGOTIATION OF LAFTA WILL BE A SLOW PROCESS.
IN THE MEANTIME, THE ANDEAN GROUP MAY EXPAND BILATERAL CONTACTS
WITH OTHER LAFTA COUNTRIES. WITH RESPECT TO THE ARGENTINE
PROPOSAL, A JUNTA REPORT OF OCTOBER 1972 LISTED A VARIETY OF
POSSIBLE BILATERAL INTEGRATION STEPS WHICH COULD BE TAKEN
WITHOUT VIOLATING LAFTA RULES. IT APPEARS THAT LACK OF PROGRESS
TO DATE IN THIS AREA IS NOT OWING TO PROBLEMS IN THE
RENEGOTIATION OF THE TREATY OF MONTEVIDEO. ANDEAN ECONOMIC
INTEGRATION, IN PARTICULAR AND IMPLEMENTATION OF SECTORAL
PROGRAMS OF INDUSTRIAL DEVELOPMENT, SIMPLY HAVE NOT PROGRESSED
TO A POINT AT WHICH VIABLE JOINT NEGOTIATIONS WITH OTHER LAFTA
COUNTRIES CAN BE CARRIED OUT.
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